

MINUTES

DEPARTMENT OF WATER SUPPLY
COUNTY OF HAWAII
WATER BOARD MEETING

June 28, 2011

Department of Water Supply, Operations Center Conference Room, 889 Leilani Street, Hilo

MEMBERS PRESENT: Mr. Dwayne Mukai, Chairperson
Mr. Robert Meierdiercks, Vice-Chairperson
Mr. David Greenwell
Mr. Kenneth Kaneshiro
Mr. Bryan Lindsey
Mr. Delan Perry
Mr. Art Taniguchi
Mr. Milton Pavao, Manager-Chief Engineer, Department of Water Supply
(ex-officio member)

ABSENT: Mr. Joe Reynolds, Water Board member
Ms. Bobby Jean Leithead-Todd, Director, Planning Department (ex-officio
member)
Mr. Warren Lee, Director, Department of Public Works (ex-officio member)

OTHERS PRESENT: Ms. Kathy Garson, Assistant Corporation Counsel

Department of Water Supply Staff

Mr. Quirino Antonio, Jr., Deputy
Mr. Kurt Inaba, Engineering Division Head
Mr. Rick Sumada, Waterworks Controller
Mr. Daryl Ikeda, Operations Chief
Mr. Larry Beck, Engineering Division
Mr. Keith Okamoto, Engineering Division
Ms. Kanani Aton, Public Information and Education Specialist
Ms. Julie Myhre, Energy Management Analyst
Mr. David Mellom, Credit and Collection Clerk
Ms. Dolores Degele, Secretary-Administrative Assistant
Mr. Milton Masaoka, Water Meter Mechanic Helper
Mr. Owen Daimaru, Water Meter Mechanic

CALL TO ORDER - Chairperson Mukai called the Meeting to order at 10:01 a.m.

STATEMENTS FROM THE PUBLIC:

None.

APPROVAL OF MINUTES:

The Chairperson entertained a Motion to approve the Minutes of the Public Hearing on the Power Cost Charge, on May 24, 2011.

ACTION: Mr. Meierdiercks moved to approve; seconded by Mr. Greenwell. Motion carried unanimously by voice vote.

The Chairperson entertained a Motion to approve the Minutes of the regular meeting of the Water Board, on May 24, 2011.

ACTION: Mr. Meierdiercks moved to approve; seconded by Mr. Perry. Motion carried unanimously by voice vote.

Chairperson Mukai thanked Mr. Kaneshiro for the malasadas and Mr. Perry for the papayas.

APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA:

None.

NORTH KONA:

A. IRRIGATION AGREEMENTS FOR VILLAGES OF LA'I'ŌPUA – PLANT MITIGATION PROJECT:

The Department of Hawaiian Home Lands (DHHL) has a project to preserve and mitigate an endangered plant species, on those certain lands situated in and around TMK (3) 7-4-21:16 “Archaeological Preserve” and “Uhiuhi Preserve”, on those certain lands situated in and around TMK (3) 7-4-21:011.

DHHL is asking for water service for these parcels. The service will be to provide irrigation water only.

DHHL has revised some of the items in the Department’s typical irrigation agreement. It is being submitted for the Water Board’s review and approval.

This item was previously approved at the March 22, 2011, Board meeting. However, DHHL requested further revisions after the Water Board approved the revised agreement.

The Manager-Chief Engineer recommended that the Water Board accept these documents subject to the approval of the Corporation Counsel and that either the Chairperson or the Vice-Chairperson be authorized to sign the documents.

MOTION: Mr. Meierdiercks moved to approve; seconded by Mr. Kaneshiro.

The Manager-Chief Engineer said that this project was aimed at protecting endangered plant species. He noted that with irrigation agreements, the water is consumed at the fourth block rate.

Mr. Meierdiercks said that the location was kitty-corner to the new West Hawai’i Civic Center.

Ms. Garson noted that these agreements had been approved at the March 22, 2011, Water Board meeting, but were being brought to the Board again because the indemnity language had changed. The new language says that neither party will be responsible for damage caused by the other party. Ms. Garson said the original language was standard language, but the language was altered to accommodate DHHL, which asked for further changes.

ACTION: Motion carried unanimously by voice vote.

MISCELLANEOUS:

A. DEDICATION OF WATER SYSTEMS:

The Department has received the following documents for action by the Water Board. The water systems have been constructed in accordance with the Department's standards and are in acceptable condition for dedication.

1. GRANT OF EASEMENT AND BILL OF SALE

Subdivision Application No. 2007-000680
Seller: Akaka Falls Development, LLC
Tax Map Key: (3) 2-8-013: 004. portions Lots 4 and 5
E.W.O.: 2011-019
No. of Lots: 7 and Road Lot Zoning: A-20a, RS 7.5
Facilities Charge: \$3,570.00 Date Paid: 05/18/2011
Final Inspection Date: 02/23/2011
Water System Cost: \$5,400.00

2. GRANT OF EASEMENT

(For Water Meter)
Grantor: Bishop Museum
Tax Map Key: (3) 8-2-013: 002
E.W.O.: 2011-023
Facilities Charge: \$ 12,560.00 Date Paid: 01/26/2010

The Manager-Chief Engineer recommended that the Water Board accepts these documents subject to the approval of the Corporation Counsel, and that either the Chairperson or the Vice-Chairperson be authorized to sign the documents.

ACTION: Mr.Meierdiercks moved to approve; seconded by Mr. Perry. Motion carried unanimously by voice vote.

B. JOB NO. 2011-974, SERVICE LATERAL INSTALLATION WITHIN STATE RIGHT-OF-WAY:

The above-mentioned job involves a consultant agreement to provide the Department with approved plans to install service laterals within the State Right-of-Way island-wide, on an as-needed basis.

The selected vendor, Imata & Associates, Inc., will provide said services for the Hilo and Puna districts for \$8,350.00 per plan, and \$8,900.00 for all other districts, with a limit not to exceed \$100,000.00. The contract will be effective from July 1, 2011, to June 30, 2012.

The Manager-Chief Engineer recommended that the Board award JOB NO. 2011-974, SERVICE LATERAL INSTALLATION WITHIN STATE RIGHT-OF-WAY, to Imata & Associates, Inc., at the fees listed above, and that either the Chairperson or the Vice-Chairperson be authorized to execute the contract, subject to the approval of the Corporation Counsel.

MOTION: Mr. Greenwell moved to approve; seconded by Mr. Meierdiercks.

Mr. Greenwell asked whether this kind of thing has to come before the Board every time there is a meter in a State Right-of-Way.

The Manager-Chief Engineer explained that if the Board approves this award, it means that when DWS has water service applicants along State Highways, the Department can call on the consultant to do the

plans. The Manager-Chief Engineer noted that up until about 15 or 20 years ago, the process for getting a permit from State Highways was very simple. It was simply a matter of DWS applying for a permit with State Highways and getting the permit quickly. These days, it is a far more cumbersome process. When DWS wants to put in a service lateral on the State Highway, State Highways requires that a full-sized plan be drawn up, and traffic control must be arranged for, etc. In the old days, somebody would apply for a service lateral along a State Highway, and DWS could probably put it in within two or three weeks. Now, because of all of the things that State Highways requires (all of the plans, traffic control, etc.), the applicant is lucky if he can get service in eight months. The Manager-Chief Engineer said that it remains relatively easy to install a service lateral along a County highway. However, it is really hard when dealing with State Highways, and the installation is outrageously expensive because it means closing down half of the road first (and hiring police for traffic control, etc.) Now it takes DWS six to eight months just to get the permit from State Highways.

Mr. Greenwell asked whether DWS does the work itself, or contracts it out.

The Manager-Chief Engineer said that it depends on the circumstances and the road itself. Sometimes, DWS staff does the work, with traffic control assistance from the police; and DWS hires a back hoe. In areas with a lot of traffic such as the Kea'au-Pāhoa Highway, DWS tends to contract the work out. DWS tries to do it in the most economical way possible, he added.

Mr. Perry asked if a Memorandum of Understanding or something similar could be done to alleviate the red tape.

The Manager-Chief Engineer said that DWS has tried to no avail. He said due to the myriad requirements, installing a simple service lateral along the State Highway is like doing a full-on project.

Mr. Meierdiercks said that the charges here will be billed back to the applicant. DWS, in effect, is just fronting the money for the applicant.

The Manager-Chief Engineer said he felt sorry for the people applying for service who live along State Highways. By the time they get the service, they end up paying \$27,000-28,000 for the service lateral.

Chairperson Mukai asked whether Imata & Associates, Inc., had been selected under State procurement procedures.

The Manager-Chief Engineer confirmed this.

ACTION: Motion carried unanimously by voice vote.

C. DISCUSSION REGARDING DEPARTMENT OF ENVIRONMENTAL MANAGEMENT (DEM) PROPOSAL TO COMBINE BILLING WITH DEPARTMENT OF WATER SUPPLY:

Report on DWS's recent presentation to the Environmental Management Commission regarding the Department of Environmental Management's request to combine DEM's billing with DWS's billing.

The Manager-Chief Engineer said that Chairperson Mukai, Mr. Sumada and he had explained to the Commission about DWS's billing system and the Department's discussions with Oahu on piggy-backing with their billing system. DWS had thought that DEM wanted information from the Department so that DEM could combine its billing system with DWS's billing system. Following the meeting, the Manager-Chief Engineer learned from a DEM staff member that it was not DEM's intent; DEM simply wanted information. Therefore, currently, there is no talk of combined billing.

Mr. Perry asked whether it would save money to combine the billing.

The Manager-Chief Engineer said that DWS would certainly bill DEM if DWS combines its billing with DEM. However, DEM would probably save money if DWS did the combined billing. The issue that concerned the Manager-Chief Engineer is that it would be to DEM's advantage to have DWS's leverage to shut off service. The Manager-Chief Engineer said that the County Charter does not allow that. He said he was aware that DEM is looking for leverage to have their customers pay their bills. Right now, DEM has no such leverage. If a DEM customer does not pay his sewer bill, DEM cannot shut him off. That lack of leverage has been a constant problem for DEM, he said. DEM can put a lien on a delinquent customer's property, but that only matters when the customer wants to sell the property. The Manager-Chief Engineer reiterated that, according to the DEM staff person, DEM is not pursuing combined billing at this time.

Mr. Taniguchi asked about City and County of Honolulu.

The Manager-Chief Engineer said that Honolulu Water Supply amended their rules to allow the shut-off.

Mr. Taniguchi asked if DWS could do that, too.

The Manager-Chief Engineer said that it could be done, but it would require a rule change as well as a Charter amendment.

Mr. Kaneshiro asked how DEM determines the amount of the sewer charge.

The Manager-Chief Engineer said that it is based on DWS's billing (i.e., based on water use). Residential customers pay a flat rate, while commercial customers pay based on the gallons of water used.

Mr. Meierdiercks said that combining the billing would not be so beneficial for DWS. It would be totally beneficial for DEM, he added. DWS would have to change the Charter, etc., so it would cost DWS money up front to even do the combined billing. Once combined billing is in place, it would be to DWS's detriment because DWS would be the bad guy, Mr. Meierdiercks said.

The Manager-Chief Engineer noted that DWS would charge DEM per billing. He said that Oahu would charge DWS a few cents per bill, and DWS would do the same thing with DEM in the event of combined billing.

Ms. Garson noted that because DEM has not asked DWS to implement combined billing, the Department has not really explored the matter.

Chairperson Mukai said that DWS should research the matter, and keep an open mind on the subject.

D. REPORT OF AD HOC FINANCE COMMITTEE:

The Water Board's Ad Hoc Finance Committee Chairperson, Mr. Art Taniguchi, has been investigating the three focus areas (DWS's policies on credit card use, cash control and vehicle take-home), which encompass the scope of the Committee's work. At this meeting, the Committee may do the following:

- Discussion of DWS's cash handling procedures and proposed changes.

Mr. Taniguchi said the Committee had not met this past month, so there was no report. He said there would be a report at the next Water Board meeting.

E. ENERGY MANAGEMENT ANALYST UPDATE:

Ms. Myhre referred to the quarterly Green Initiatives report she prepared for the Board. She pointed out a chart on the first page that shows DWS's average energy cost per kilowatt hour since 2004. She noted

that interestingly, the costs are about the same this calendar year to date as in 2008. On page 2, there is an explanation of how DWS's SCADA project affects energy use. DWS is planning to phase in the Hilo District into a SCADA system that allows the Department to communicate with its well sites to get data on flow, chlorine levels, pressure, etc. Using the SCADA system will eliminate the need for operators to travel to each site and thus reduce fuel use. After the Hilo District is phased in, the second phase will bring in the Hāmākua Coast area, and the third phase will link communications among the three baseyards: Kona, Waimea and Hilo. The return on investment is about six years, based on overtime saved and on eliminating the amount of driving that once was necessary. The chart on page 2 shows how much energy savings DWS is already realizing. The last page of the report is about DWS's leak detection program, showing a HELCO bill and how there was a huge spike in energy costs due to a leak. This shows how a leak caused an increase in energy use at the Pāpaikou Deep Well. By repairing the leaks, DWS is saving energy costs. Mr. Jon Arizumi, who is Ms. Myhre's contact at HELCO, also noticed the drop in DWS's energy use and asked about the dramatic drop. Ms. Myhre explained to Mr. Arizumi that DWS is continually looking for leaks, and she sent him information about DWS's leak detection system. She explained that looking at the HELCO bill is *one* way that DWS finds leaks. However, in this case, DWS found the leak using its own leak detection system.

Regarding the Mayor's Green Team, there will be a report at next month's Board meeting regarding the Vision 2015 Plan. The Manager-Chief Engineer was asked to assign someone to the County's team which is dedicated to implementing the 2015 Plan. Ms. Myhre has been assigned to this group, which is a kind of extension of the Green Team. This group will include all of the County departments, including departments that were not part of the original Green Team, such as Public Works, Fire Department, etc. Mr. Alex Frost of the Department of Research and Development will do a presentation on the 2015 Plan to the Board next month.

Regarding the Energy Advisory Commission, Ms. Myhre did not attend the most recent meeting. The Commission is focusing on the Hawai'i Energy Rebate System and the initiative to get Hawai'i County's fair share of the money, Ms. Myhre said. The Kohala Center recently did a study on the percentage of income that lower-income families pay toward their electric bills, and how this is inequitable, she said. The study is ammunition for the Energy Advisory Commission's case for getting more money to the Big Island, Ms. Myhre said.

Mr. Greenwell commended the Department for the downturn in fuel consumption due to fewer vehicles on the road, etc.

The Manager-Chief Engineer, touching on the leak detection program, said by finding leaks the Department can forestall the need to bring on new sources (and the expense of bringing on new capacity).

Mr. Perry asked if there were any technologies available that DWS is not using.

The Manager-Chief Engineer said there are many technologies available, and DWS is limited by how much it wants to spend. However, DWS has bought a large number of Perma-Loggers, which are really good at pinpointing leaks. He noted one particular leak at Hilo Airport whose detection saved the Department a significant amount of money. The leak detection program pays for itself, he added.

Chairperson Mukai, looking at the bar graph, asked whether it was safe to say that although DWS's energy usage is pretty stable, DWS's pumpage was actually higher because DWS has more wells online, etc.

The Manager-Chief Engineer said that the real way to judge the improvements is to look at the cost per 1,000 gallons, because that would encompass everything that DWS cranks into the equation.

Chairperson Mukai asked that the numbers regarding cost per 1,000 gallons be made available to the Board because they are a true indication.

The Manager-Chief Engineer said yes, because DWS is being more efficient in its pumping of water.

Chairperson Mukai agreed that yes, DWS is getting more bang for its buck.

Ms. Myhre noted that on the At-a-Glance list in her report, the average electricity cost to move water to customers is 88 cents per 1,000 gallons, or \$877.00 per million gallons of water moved.

Chairperson Mukai said that compared with a year like 2008, if the increased cost of fuel is factored in, the numbers look a lot better now.

The Manager-Chief Engineer said that Ms. Myhre's energy management efforts are definitely paying for her salary, and DWS is coming out ahead.

F. MONTHLY PROGRESS REPORT:

No discussion.

G. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

Mr. Taniguchi asked when the latest adjustment of the Power Cost Charge takes effect.

Mr. Sumada said it took effect on June 1, 2011.

Mr. Taniguchi asked whether its effect on the deficit would be reflected this month, i.e., by the end of the fiscal year.

Mr. Sumada said that yes, there would be some improvement this month, but most of it would occur in July and August.

H. MANAGER-CHIEF ENGINEER'S REPORT:

The Manager-Chief Engineer provided an update on the following:

- 1) Palani Road Transmission Waterline Project – The Manager-Chief Engineer said things were going well, and the project is expected to be completed on time. Mr. Beck said that Mr. Teruo Matsumoto's driveway has been repaired, and the rock wall has been installed. Mr. Matsumoto now has the turning radius he once had, or even better. The rock wall turned out very well, too. DWS will be paving around the tanks this week. The trench drains in Mr. Mark Jernigan's driveway will be installed this week or next week, while Mr. Jernigan is away on vacation (per his request to CTS Earthmoving, Inc.) There was a minor change order, involving revision of some of the electrical conduit layout.
- 2) Hawaiian Ocean View Estates Project -- The Manager-Chief Engineer said that barring any problems with HELCO, the project should be completed on time. Last week, the Manager-Chief Engineer had a meeting at the Mayor's Office, attended by representatives from Ocean View. The Ocean View contingent told the Mayor that they want to be responsible for the water system when it is completed. That, of course, would be up to the Mayor to decide, because the funds were allocated by the State to the County, the Manager-Chief Engineer said. The Mayor indicated that the Ocean View contingent should go back and take a really good look at whether they really want to be responsible for the water system. If that is something that the Ocean View community really wants to do, the Mayor would try to accommodate them. However, the Manager-Chief Engineer said that he had concerns about State funds that had been given to County government being given to a private entity. The Manager-Chief Engineer was also concerned that the Mayor had asked DWS to operate and maintain the water

- 3) Public Relations and Education Specialist Update – Ms. Aton attended a Civil Defense (CD) Collaboration Meeting featuring the National Weather Service, which provided their forecast for the hurricane season. The meeting also reviewed CD systems for preparedness, response and recovery, along with agency responsibilities. DWS attended a Water Improvement District public hearing on Pu‘ukala Subdivision in Kona, with the County Council. The community was supportive of the project, and the County Council moved to support the Improvement District. DWS attended the monthly Deputy Managing Director’s meeting in Kona. Ms. Aton said DWS is hosting seventh graders from Hawai‘i Preparatory Academy this summer, to the watershed areas in Waimea, the reservoirs and the Waimea Treatment Plant. Ms. Myhre and Ms. Aton are currently looking into how to educate the Department and the public about DWS’s recently-signed energy policy. The latest Project W.E.T. teacher workshop is coming up in September. Ms. Aton asked the Board for suggestions on education opportunities for teachers, clubs or organizations regarding DWS and water stewardship. Ms. Aton said that West Hawai‘i Today ran a story about the whole water source, and the Tribune-Herald ran a letter to the editor about the price of fuel and its connection to water. She provided copies of the two articles. Mr. Perry asked where the Improvement District is. The Manager-Chief Engineer said it is at the north end of DWS’s system, in Kona. The subdivision, created before the ordinance requiring water infrastructure, has 81 lots. The Improvement District will bring in the pipes, fire hydrants and services to the front of the residents’ homes. Mr. Perry asked how it is financed. The Manager-Chief Engineer said the financing comes through an Improvement District bond, and DWS was able to secure a loan-grant from the U.S. Department of Agriculture’s Rural Water Program. The loans are low-interest, and the grant covers 20 percent of the total cost, so it is extremely beneficial to the residents. Ms. Aton said that the estimated out-of-pocket cost per lot is \$15,000.00. The Manager-Chief Engineer said it is \$15,000.00 per lot, spread over 30 years at an interest rate of about 3 percent. He encouraged the Board to have anyone interested in doing an Improvement District contact DWS, adding that the loan-grant program (plus the Improvement District bond) makes such improvements really affordable for subdivisions.
- 4) Upcoming HWWA conference – Ms. Aton said DWS met with the Kaloko-Honokōkai National Park people, who want to do a presentation at the conference. The park is also offering the opportunity of a field trip for conferees. Conference registration packets are slated to be sent out in August.

The Manager-Chief Engineer said that Mr. James Souza will appear before the Board at next month’s meeting. Mr. Souza, who is hearing impaired, has some concerns regarding leakages at his home that he could not hear. Mr. Souza, who lives in Honoka‘a, wants to talk to the Board about forgiveness of his bill.

The Manager-Chief Engineer said that from tomorrow, he will be on vacation off-island for two weeks. The Deputy will take care of anything that the Board needs in the Manager-Chief Engineer’s absence.

- 5) Recognition of Service Retirement – The Manager-Chief Engineer said that it was with a heavy heart that he was announcing the retirement of Ms. Dolores Degele, Secretary-Administrative Assistant at the end of this month. Dee, as she is known to everyone, started with the Hawai‘i Redevelopment Agency in January 1988, where she worked for two years.

Chairperson Mukai said he and Ms. Degele go way back to the 1980s, when Ms. Degele and the Chairperson's sister worked together at National Escrow. He thanked Ms. Degele for her years of devoted service, and wondered aloud how DWS could manage without her.

Ms. Degele thanked the Board for all that they do. DWS is a great department, and it was a difficult decision to retire but it was time for her to move on, Ms. Degele said. She thanked the Board for all that they do for the Department and for its employees.

Chairperson Mukai, as a reminder, noted that the Board invites all of the year's retirees to the Board's end of the year luncheon. He urged Ms. Degele to put it on her calendar to join the Board for the gathering, which this year will be held on December 20, 2011.

I. CHAIRPERSON'S REPORT:

Chairperson Mukai noted that he, Mr. Lindsey and Mr. Taniguchi had recently attended the American Water Works Association (AWWA) national conference in Washington, D.C. Thanks to the great networking opportunities, Chairperson Mukai met people from the Homeland Security Agency and FEMA, who offered to put on a free workshop about emergency preparedness at the upcoming HWWA conference on the Big Island. Chairperson Mukai passed the information to Ms. Aton. Chairperson Mukai said he had spoken to several vendors, with an eye to whatever happens with the Ocean View site. Mr. Taniguchi said he would write a report of what he took away from the conference. Mr. Lindsey said that he and his wife learned a lot about how much work goes into delivering water to people's homes. Mr. Lindsey suggested that DWS consider sending an engineer to the national conference to learn about the new technologies available in the water industry. Chairperson Mukai said a representative from the Japanese government did a presentation regarding the water systems and how well they withstood the massive earthquake and tsunami in March. He noted that quake-resistant conduits were among the reasons that the water systems survived the disaster. The Manager-Chief Engineer said that was the reason that DWS exclusively uses ductile line pipe, because it has a rubber gasket that is able to take a five-degree deflection without leaking. In cases of earthquakes, DWS does not have leaks in its waterlines. He cited the example of waterlines in Kalapana that were inundated in lava – and yet the water kept flowing. The type of pipe that DWS is probably the best for the island's quake- and lava-prone conditions.

Chairperson Mukai reminded the members who attended the AWWA conference to submit their trip reports to the Secretary.

Chairperson Mukai said that Mr. Kaneshiro provided the Board with research information with an eye to revamping the Manager-Chief Engineer's evaluation form. He asked that the matter be put on next month's Agenda.

Ms. Garson asked whether the Board would be discussing the performance evaluation form as a group.

Chairperson Mukai said yes, noting that an Ad Hoc Committee had been set up, comprising Mr. Kaneshiro, Mr. Perry and the Chairperson. Although the Committee has not met yet, it would meet and have a report ready for next month's meeting, Chairperson Mukai said.

J. REPORT ON DELINQUENT ACCOUNTS:

Mr. David Mellom, the Credit and Collection Clerk, noted that he had given a detailed summary of how he handles delinquent accounts at the October 2010 Water Board meeting.

Mr. Taniguchi asked whether it was necessary now to go into Executive Session.

Ms. Garson said it would depend on what kind of questions the Board had. If the question involved something that Corporation Counsel would need to answer, or something involving confidential information, the Board would go into Executive Session. She said the purpose of an Executive Session is to ask the Board's attorney questions about privileges, liabilities, or processes.

Mr. Lindsey asked about the section in Mr. Mellom's handout labeled "Final Accounts Being Reviewed for Write-off or Assigned to Collections." He asked how DWS determines what accounts get written off, and what accounts DWS goes after.

Mr. Mellom said the Final Accounts in the handout that get written off are past the Statute of Limitations. The Statute of Limitations that DWS uses is the same as the State: six years. Accounts also get written off when the customer files for bankruptcy (and the bankruptcy has been discharged). This means that DWS is not able to go after the money that is owed to the Department. Another instance where an account is written off is where the person is deceased and beyond claim, or where a customer has no assets.

Mr. Lindsey asked about a scenario whereby a customer is delinquent for six years and his account is written off. He asked whether a family member could apply for service for the same property.

Mr. Mellom said yes, currently the Department only goes after the applicant of the delinquent account, and does not go after family members. After an account is closed, any other person can come in and sign for the service, he said.

The Manager-Chief Engineer said that family members do come in and sign for service after an account has been closed. He asked Mr. Mellom to give an overview of what Mr. Mellom does once an account comes to him.

Mr. Mellom said that the open accounts are reviewed for delinquencies several times during a billing cycle before they ultimately reach the point of being disconnected (i.e., the account is not be pending adjustment for leakage, nor placed under a payment plan, etc.) Regarding *finalized* accounts, Mr. Mellom looks at 30 to 60 days **after** the account is closed. The procedure is to first send out a reminder letter saying there is a past-due balance that is still due. After that, a letter is sent out that states that if the balance is not paid, the account will go to a collection agency or Corporation Counsel. The number of finalized accounts is sizeable: about 100 accounts a month. It is a challenge to keep up with the accounts that are closed, especially amid the furloughs during the past year. The process is done manually and is time-consuming; Mr. Mellom sends roughly 50 accounts a month to collections. Many of them do get paid, but a certain number get written off, he said.

Mr. Lindsey asked whether the Statute of Limitations is a law, or self-imposed.

Mr. Mellom explained that after six years, under the Statute of Limitations, DWS cannot legally go after delinquent accounts. This means that DWS cannot sue delinquent customers for the money. However, DWS's Rules and Regulations state that money due to the Department is *always* due to the Department. Therefore, even after an account is written off, the write-off is reversible. If DWS verifies that a customer applying for a new service had a previous delinquent account, the customer will have to pay up before signing for the new service.

Mr. Taniguchi asked whether the Frank Huff accounts are part of DWS's active receivables.

Mr. Mellom confirmed this.

Mr. Taniguchi asked if the \$600,000.00 was the amount currently at Frank Huff.

Mr. Mellom confirmed this.

Mr. Taniguchi asked what percentage Frank Huff charges DWS per collection.

Mr. Mellom said it was 25 percent. Therefore, if Frank Huff collects \$100.00, Frank Huff gets 25 percent of that.

Mr. Taniguchi asked whether the accounts are severely past due when they are assigned to Frank Huff.

Mr. Mellom said the accounts are only sent to Frank Huff when they are closed. This means that the customer has closed his account, and has not paid the final balance due.

Mr. Taniguchi asked what happens if the customer moves away.

Mr. Mellom said that that does happen, and the customer just closes the account without paying the final balance. Accounts like that go to Frank Huff, he said. Current active accounts do not go to collections; only closed accounts go to collections.

Mr. Taniguchi asked the difference between those accounts that go to collections, and the ones that are referred to Corporation Counsel.

The ones that go to Corporation Counsel are generally the larger balances, where there are indications that the customer has assets, and where it looks likely that DWS can sue and collect, Mr. Mellom said. He said there are about 1,000 accounts at Frank Huff, with many of them small balances of \$40-\$200. While the balances vary, generally they go to collections because there has been no contact (i.e., phone numbers out of service, mail returned without forwarding addresses, etc.) Accounts like that cannot be sent to Corporation Counsel because they would go nowhere. Frank Huff has the ability to throw the delinquency into a credit report, and the balances may get collected through that means, Mr. Mellom said.

Ms. Garson said that at one point a dollar benchmark of \$1,000.00 was established as a threshold amount for Corporation Counsel to get involved. A balance of \$1,000.00 or higher makes it worthwhile for an attorney to file a lawsuit. Corporation Counsel needs to ascertain that the person can be found, so that the person can be served with a complaint. Ms. Garson noted that although Corporation Counsel may get a judgment against a delinquent customer, it does not necessarily translate into money in the hand for DWS.

Mr. Taniguchi asked whether most of these 100 accounts a month that are sent to collections are renters.

Mr. Mellom said that there are a lot of renters. Generally, property owners living on their own property stay there and keep their water on; water is important to them. A lot of the closed accounts are tenants, who keep the account for a year or two, then close the account and fail to pay the final bill.

Mr. Taniguchi asked if DWS can go after a property owner for his tenant's delinquent balance.

Ms. Garson said no, not for a tenant who is not present or available.

Mr. Taniguchi asked if the Rules and Regulations could be changed.

Ms. Garson said the Board could do so, and noted that Waste Water Division of the Department of Environmental Management has tried to do so. The Water Board has discussed this issue in the past (i.e., whereby an owner co-signs an application with the tenant, and DWS would then be able to go after the owner for a tenant's delinquent balance).

Mr. Mellom said that Oahu has such language about co-signing in its water agreement. *(Mr. Mellom clarified after the meeting that it is actually Maui that has such language in its water agreement.)*

Ms. Garson said that if an owner co-signs an application with the tenant, there would be grounds for DWS to sue or go after the owner as well as the tenant. This issue arose in the past, when a Board member who happened to be a Realtor strongly opposed co-signing. That Board member cited the case of an owner in Japan, whereby the property manager would face difficulties getting the overseas owner to sign every time there was a new tenant.

Chairperson Mukai said in any event, DWS needs to get paid for its services.

Mr. Taniguchi suggested revisiting the matter of co-signing.

Chairperson Mukai agreed that was a good idea; the Board should revisit the matter of co-signing.

Mr. Mellom said that it would be good to have co-signing.

Chairperson Mukai said that normally, property owners are liable for what their tenants do. For example, if the tenants do drugs, the owner could lose the property. He said that likewise, the owner should be held responsible for a delinquent water bill.

Mr. Meierdiercks agreed, saying the owner or the owner's representative should be held responsible.

The Manager-Chief Engineer said that the Board could look at an amendment to the Rules and Regulations.

Mr. Greenwell asked whether any of the delinquencies of \$1,000.00 and above are businesses. He asked whether there were any way that a business could be affected via their general excise license, i.e., their license to do business for failure to pay a water bill.

Mr. Mellom said that very few of the larger delinquencies are businesses. He noted that as of the most recent report, dated June 1, 2011, there were 112 accounts with delinquencies of \$1,000.00 and above. Of those, 59 accounts were pending leak adjustments. Twenty-nine of those accounts had payment arrangements upon which they were current. Most of those payment arrangements were because the customer had a leak, and the customer was paying the remaining balance after the leak adjustment. Of that entire list of 112 accounts, only two accounts were disconnected for non-payment, Mr. Mellom said.

Mr. Greenwell asked if they were businesses.

Mr. Mellom said no, there were not businesses. He was not aware that there are any businesses that are having payment issues with the Department at this time. Mr. Mellom said that there were no resorts or hotels that are behind in their payments.

Mr. Taniguchi asked whether the over-90 day accounts, which represent a huge percentage of the delinquencies, were all assigned to collections or Corporation Counsel. He noted that the total was about \$1.3 million.

Mr. Mellom said that more than \$700,000.00 of the total was either with the collection agency (i.e., Frank Huff) or Corporation Counsel.

Mr. Taniguchi asked about the other half of the over-90 day delinquencies.

Mr. Mellom said that the other half is on active balances. He noted that these numbers are not exact, because some of them are actually just *late* (i.e., they might actually fall on the date past due). Some of the accounts could have been 15 or 30 days past due, at that point in time. He held up a 500-page report containing the 28,000 accounts from which the Aging Report summary was distilled. It would be a matter of going through the 500-page report account by account. He said that in any case, the totals are correct. He noted that the vast majority of accounts are closed accounts that are at Frank Huff. Most of these accounts were sent to Frank Huff in 2005, and the Statute of Limitations is soon going to run out on these accounts. Frank Huff will be sending Mr. Mellom a lot of accounts to write off, Mr. Mellom said.

Mr. Taniguchi said that his concern was that DWS has a huge amount of accounts that are over-90 days delinquent. He asked whether these accounts are true receivables. He noted that in a normal practice, if a company cannot collect on its own and the account is sent to a collection agency (in this case, Frank Huff), the company will not get back dollar for dollar. He said it should not be recorded as a full-dollar receivable. He asked how much of the \$1.3 million in over-90 day delinquencies are true receivables. He asked whether a portion of those accounts should be written off, and as DWS collects, brought in as recoveries.

Mr. Mellom said no, this may be the case in other companies or businesses that actually pay taxes on their revenues. It would seem to be the obvious thing to do to write off those accounts, and then send them to collection agencies. He noted that if DWS wrote off all of these accounts, and a customer subsequently came in to pay on what was listed as a zero balance on his account, it would be very difficult for DWS's customer service representatives to identify those balances as *still due*. Mr. Mellom said that he would be writing off a lot of those accounts, only to reverse those write-offs. It may be possible -- if an entire department were devoted to doing this, he said. Mr. Mellom said that in any event, all of this money is due to the Department. Regardless of whether DWS writes it off, it is doubtful that it would help DWS if these accounts were written off any sooner than the Statute of Limitations. He did not see that as being beneficial to DWS at all.

Chairperson Mukai said that his water bill is paid automatically, but one month he got a notice saying his account was delinquent. He asked how somebody on automatic payment could be delinquent.

Mr. Mellom said he did not know how this could happen, because customers on auto-pay have their accounts debited for their water bills on the due date.

Chairperson Mukai said that his own case does not matter. However, he asked if a "delinquency" like his would show up as a receivable, (assuming the bill was actually 15 days late).

Mr. Taniguchi said that in any case, such an account would not be in the over-90 day delinquency column.

Mr. Lindsey told Mr. Mellom that he had heard a lot of good things from people in the community about what Mr. Mellom does, and thanked him for his good work.

Chairperson Mukai agreed, and thanked Mr. Mellom for doing such a good job for the Department.

K. EXECUTIVE SESSION RE: DELINQUENT ACCOUNTS:

The Water Board had anticipated convening an executive meeting, closed to the public, regarding the foregoing matter, pursuant to HRS Sections 92-4 and 92-5(a)(4), for the purpose of consulting with the Water Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities and liabilities.

However, no confidential business was raised, so the Board did not go into Executive Session.

(The following discussion is a continuation of Item 6(J), REPORT ON DELINQUENT ACCOUNTS.)

Ms. Garson asked if there were any questions from the Board, noting that she had placed the Executive Session on the Agenda as a precautionary measure.

Mr. Taniguchi asked if it was okay to inquire as to who the big delinquent accounts belong to.

Ms. Garson said yes, but it is not a legal question, so she cannot answer it in Executive Session.

Chairperson Mukai asked if Ms. Garson could look into the possibility of changing DWS's water agreements so that the owner of a property co-signs with the tenant.

Ms. Garson said sure, she could do that.

Mr. Taniguchi said the Board should not discuss the names of accounts.

Mr. Mellom said that to give a bit of perspective, there are only two accounts that have balances of \$10,000.00 or more. One is right at \$10,000.00, and the other is \$20,000.00. The \$20,000.00 account is due to a massive leak, where the customer paid \$60,000.00 of a total bill of \$80,000.00. That customer is going to get a credit on it, which will cover what the customer owe, Mr. Mellom said. The other account (the \$10,000.00) belongs to an association that is paying its balance down.

Mr. Taniguchi commented that a \$1,000.00 balance for a residence is a pretty big amount.

Mr. Meierdiercks said it could easily come to that, in the case of a leak.

Mr. Mellom agreed, saying that with a bimonthly bill, a lot of water can go through a leak during that time frame. He said that it is very easy for somebody to get a \$2,000.00 or \$3,000.00 water bill in a two-month period.

Mr. Taniguchi asked whether all of the big balances were due to leaks.

Mr. Mellom said yes. He noted that there is no customer who is a high user who fails to pay. People who do not pay for months on end get letters notifying them of disconnection. Before that, DWS makes a courtesy call to the customer. Generally, if there is contact with the customer, the customer pays. DWS works out a payment arrangement with the customer, he added. Most of the large balances involve leaks.

L. DEMONSTRATION OF DWS'S WATER METER BENCH TESTS:

Chairperson Mukai said that he had asked the Department to show the Board how an actual water meter works. Seeing how a meter test works will help the Board make decisions when a customer disputes his water billing due to an allegedly faulty meter reading, he said.

(The meeting briefly recessed at 11:17 a.m., and reconvened at the site of the demonstration at 11:21 a.m., in the Meter Room building.)

Staff provided a demonstration of how DWS tests water meters to ensure proper functioning and accurate billing.

Mr. Owen Daimaru, Water Meter Mechanic, and Mr. Milton Masaoka, Water Meter Mechanic Helper, joined the meeting at the Meter Room building at Hilo Operations Center, 889 Leilani Street, Hilo.

Mr. Masaoka said today the test involved a 5/8-inch meter, the typical size for households. DWS does three tests: a low flow test (at 1/4 gallon per minute), a medium flow test (at 2 gallons per minute), and a high flow test (at 15 gallons per minute), he said. Mr. Masaoka said he and Mr. Daimaru were already done with the low flow test at 1/4 gallon per minute. Mr. Daimaru said the test itself took 40 minutes.

The Manager-Chief Engineer asked Mr. Masaoka and Mr. Daimaru to explain what they do, and to explain what they compare the test results to.

Mr. Masaoka said that they have measured tanks in the meter shed that are standard. There are 10-gallon measured tanks and 100-gallon measured tanks.

Mr. Masaoka said right now, the medium flow test measures a two-gallon per minute flow. The water will reach up to the 10-gallon mark, and then drop by itself.

Mr. Daimaru said that for both the low- and medium-flow tests, the 10-gallon tank is used. In the low flow test, it was 1/4 gallon a minute, or 10 gallons over the course of 40 minutes. The meters that test good are cleaned and sent back into the field for reuse. Some of the really old meters are disposed of, he added.

Mr. Ikeda said that sometimes customers complain about their meter. The customer thinks that the meter is running too fast, so DWS put the meter on the bench to check whether it is working correctly. Sometimes, customers come to witness the meter test, he said.

Mr. Perry asked what percentage of meters tested run too fast.

Mr. Daimaru said zero; the meter never runs too fast. He compared water meters to cars; the older they get, the slower they move. He noted that at one time, DWS still had a lot of mechanical meters. Mr. Daimaru, who once was a meter reader, said sometimes customers would ask him to look at their meters. If a customer insisted that a meter be changed, DWS would send out a pipefitter to change the meter out. With a new meter, consumption would go up a little bit. Older meters will not give as accurate a reading; the registers slow down and the chambers do not work as well, he said.

Mr. Masaoka said he had some older meters that gave readings as accurately as newer meters. He showed an open view of the inside of a meter, showing the meter body and the chamber. He showed a new chamber, and explained that the water goes through and the magnet spins the register. He also showed an old chamber which was corroded and stuck; the water was not flowing well.

The Manager-Chief Engineer asked Mr. Masaoka to show how normally, the old meters will not read faster (i.e., more water flowing through), and instead will read slower (i.e., less water flowing through).

Mr. Masaoka said yes, usually, an older meter will wear out and water will seep through the wider gaps from the chamber as it moves. The newer meters generally give a more accurate reading of water flow than older ones.

Mr. Perry asked if DWS has a replacement policy after a meter reaches a certain age.

Mr. Masaoka said yes, the policy is to replace meters that are more than 30 years in service.

The Manager-Chief Engineer said that it is interesting to hear reports from customers who say their meter is old, and therefore, the reading is high. However, it does not work that way; an older meter always reads less.

Mr. Masaoka said that when DWS changes a meter, the new meter will give a more accurate reading.

Mr. Perry asked the difference between a 30-year-old meter and a five-year-old meter.

Mr. Masaoka said that some meters run well for the entire 30-year life span; and some just fail. He thought it could be affected by the water content, whereby older services might have more sediment in the line, etc.

Mr. Daimaru said there were a lot of different factors. It depends on the size of the household, with a large family using more water and causing more wear and tear on the meter itself, he said.

The Manager-Chief Engineer noted that according to the American Water Works Association (AWWA), there is a tolerance allowed for each meter that is put into the field. As long as the meter is within that tolerance, the meter is considered okay. The tolerance is about 1-2 percent of the actual reading. Meter manufacturers must comply with the tolerances that are built into the AWWA standards.

Mr. Greenwell asked whether the new electronic meters are supposed to be more accurate.

Mr. Masaoka said that because the electronic meters are brand new, they are supposed to be more accurate.

Mr. Greenwell asked whether, as these meters age, they will still be expected to be more accurate than the old ones still use now.

Mr. Masaoka said with the new electronic meters, it is more a matter of convenience in picking up the meter reading. With the electronic meters, the meter readers do not have to go up and open each box; this saves time and money.

Mr. Taniguchi asked then, whether the meter itself going to be pretty much the same, with the key difference being that the reading is electronic.

Mr. Daimaru said the key difference is that the electronic meters have a different kind of register that transmits a signal. He noted that in testing the meters, if the low flow test for a 5/8-inch meter goes anywhere between 90-101.5 percent, the meter is considered good. There is a bit of leeway. With the medium- and high-flow tests, if the meter goes between 98.5 and 101.5, the meter is considered good.

Chairperson Mukai said that at one Board meeting, testimony came up that stated that a lightening strike could affect a meter.

Mr. Masaoka said he did not think it would affect the chamber itself, because there is no metal in there.

Mr. Taniguchi said there is a magnet in there someplace.

Mr. Masaoka showed where the magnet is.

Chairperson Mukai said the magnet is in the bottom. He asked if lightening would affect the spinning.

Mr. Masaoka said he did not think it would affect the register inside the meter.

Mr. Meierdiercks said if anything, it would run slower; it would not run faster.

Mr. Masaoka and Mr. Daimaru both agreed.

Mr. Meierdiercks said that if anything, the meter would run slow, even if it was demagnetized.

The Manager-Chief Engineer noted that these meters come in different systems of measurements. Hawai'i uses gallons per minute, whereas other jurisdictions use cubic feet as a measurement. Some places use liters, but Hawai'i is exclusively gallons, he said.

Mr. Masaoka said that after the spinning stops, he takes the reading from all of the meters lined up on the bench. He noted that the first reading, at ¼ gallon per minute, the meter was running at 98 percent. Another reading had the meter running at 100 percent at 10 gallons per minute. One hundred percent means that the meter is running at 100 percent; the meter is running well. He confirmed that this was at 10 gallons. The tests are done on all of the other meters, including the last test which is for 15 gallons per minute.

Mr. Taniguchi asked whether any of these meters ever go over 100 percent.

Mr. Masaoka said that sometimes when a meter runs perfectly, it hits 101 percent, or occasionally even 102. However, most of the time, the meters run a little slower.

Mr. Perry asked if DWS checks new meters when they come in.

Mr. Masaoka said that new meters are just put into service. However, when meters come back to the shop for whatever reason, the meters need to be tested before being allowed back into service.

Mr. Greenwell asked if DWS tests all meters are 100 psi (pounds per square inch).

Mr. Masaoka confirmed this. The bench testers usually test several meters at a time, letting out ¼ gallon at a time, two gallons at a time, etc. They try to have a full bench of 12 meters to test at a time, he added.

(After the demonstration, the meeting again briefly recessed at 11:35 a.m., and reconvened in the Operations Conference Room at 11:40 a.m.)

ANNOUNCEMENTS:

1. **Next Regular Meeting:**

The next meeting of the Water Board will be held on July 26, 2011, at 10:00 a.m. at the Department of Water Supply, Operations Conference Room, 889 Leilani Street, Hilo, HI.

2. **Following Meeting:**

The following meeting of the Water Board will be held on August 23, 2011, at 10:00 a.m. at the West Hawai'i Civic Center, Community Center, 74-5044 Ane Keohokalole Highway, Kailua-Kona, HI.

STATEMENTS FROM THE PUBLIC:

None.

ADJOURNMENT

Chairperson Mukai adjourned the meeting at 11:42 a.m.

Senior Clerk-Stenographer

Anyone who requires an auxiliary aid or service for effective communication or a modification of policies or procedures to participate in this Water Board Meeting should contact Doreen Shiota, Secretary, at 961-8050 as soon as possible, but no later than five days before the scheduled meeting.

The Department of Water Supply is an Equal Opportunity provider and employer.

Notice to Lobbyists: If you are a lobbyist, you must register with the Hawai'i County Clerk within five days of becoming a lobbyist. {Article 15, Section 2-91.3(b), Hawai'i County Code} A lobbyist means "any individual engaged for pay or other consideration who spends more than five hours in any month or \$275 in any six-month period for the purpose of attempting to influence legislative or administrative action by communicating or urging others to communicate with public officials." {Article 15, Section 2-91.3(a)(6), Hawai'i County Code} Registration forms and expenditure report documents are available at the Office of the County Clerk-Council, Hilo, Hawai'i.